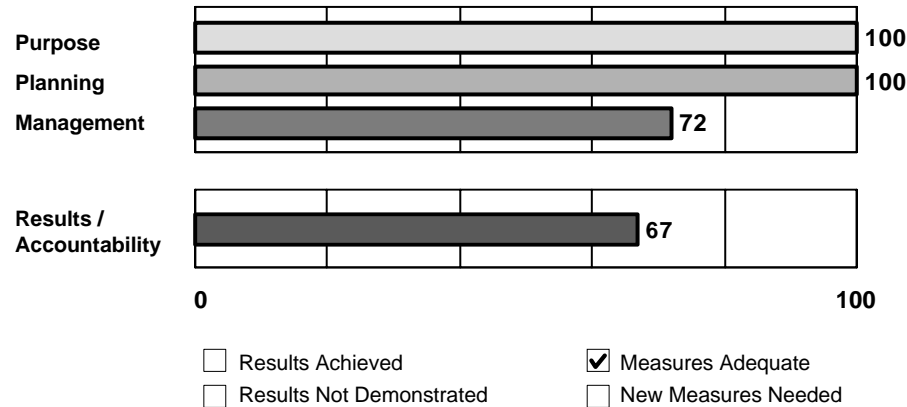


DEPARTMENT OF DEFENSE

Program: Air Combat Program

Agency: Department of Defense--Military

Bureau: Procurement



Key Performance Measures

Key Performance Measures	Year			Target	Actual
	1999	2000	2002	2003	
Long-term Measure: Number of performance objectives for individual weapons systems unmet	1999	0	0		
	2000	0	0		
	2002	0	0		
	2003	0			
Annual Measure: Percent change in acquisition costs for individual aircraft programs from estimated cost of program. For example, actuals show deviation for the F/A-18E/F fighter program. Data from DoD's annual Selected Acquisition Reports. The Dec 2001 report represents a 2-year reporting period (1999-2001) due to the absence of a Dec 2000 report.	1999	<10%	4.7%		
	2000	<10%	5.3%		
	2002	<10%	4.1%		
	2003	<10%			

***Rating: Moderately Effective**

Program Type Capital Assets

Program Summary:

The air combat program consists of a number of individual aircraft and helicopter research, development and procurement programs that, taken together, comprise DoD's investment in air combat capabilities. Individual programs reviewed include fighter aircraft such as the Air Force F/A-22 fighter, the Navy F/A-18E/F attack fighter and the multiservice Joint Strike Fighter, as well as Army helicopters such as the Apache Longbow and Comanche. Findings reflect the performance of individual programs since DoD does not manage air combat as a single program.

Findings include:

1. The PART analysis showed that the program purpose is clear, owing to the unique military requirement of these systems.
2. The Air Combat program scored well in planning because of DoD's extensive planning, programming and budgeting system, which matches program plans with budgets and ensures that analyses of capabilities are done before individual programs begin.
3. DoD's management of the overall air combat program is currently based on the extensive system of regulations governing how individual acquisition programs are managed. Through these regulations DoD tracks the progress of individual programs and can hold managers accountable for their programs -- as has recently been shown by changes in management personnel in the F/A-22 program.
4. DoD's individual programs within the overall air combat program are delivering aircraft at targeted rates, but in several cases, such as the F/A-22, with cost increases.
5. DoD is moving towards a "capabilities based" assessment of its programs, rather than the traditional assessment of individual acquisition programs. Until the air combat program is managed as a single program (consisting of several systems) with clear long-term goals, it will be difficult to assess in this way. For example, DoD has not yet defined several annual goals or other performance measures for the air combat program as a whole.

In response to these findings, the Administration:

1. Proposes that DoD refine methods for assessing the efficiency and effectiveness (or otherwise) of the overall air combat program in light of the needs of the 2001 QDR defense strategy and the global war on terrorism.

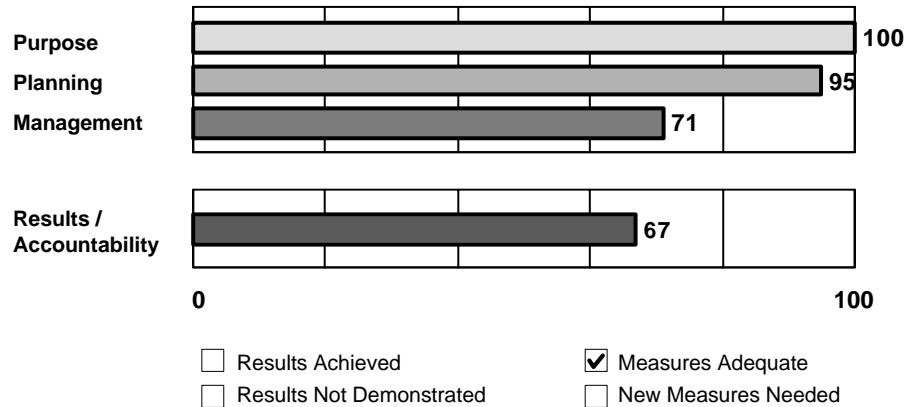
Program Funding Level (in millions of dollars)

* This assessments has not changed since publication in the FY 2004 Budget. For updated program funding levels, see Data File - Funding, Scores, and Ratings.

Program: Airlift Program

Agency: Department of Defense--Military

Bureau: Procurement



Key Performance Measures

Annual Measure: Percent change in acquisition costs for individual programs from the total cost estimate. For example, actuals show changes for the C-17 program. Data taken from DoD's annual Selected Acquisition Reports. The December 2001 report represents a two-year reporting period (1999-2001) due to the absence of a December 2000 report.	1999	<10%	-1.7%
	2000	<10%	-1.5%
	2002	<10%	1.1%
	2003	<10%	
Long-term Measure: Provide 100 percent of strategic airlift capacity (54.5 million ton miles/day), a requirement established by DoD in its Mobility Requirements Study 2005	2003	90%	90%
	2005	100%	

***Rating:** Moderately Effective

Program Type Capital Assets

Program Summary:

The airlift program consists of a number of individual Air Force tactical and strategic airlift aircraft research, development and procurement programs that, taken together, comprise DoD's investment in airlift capabilities. These capabilities allow DoD to move large amounts of personnel and material to, and within, remote locations in short periods of time. The individual programs include the Air Force's C-130J tactical airlift aircraft program, the C-17 strategic airlift aircraft program and the C-5 strategic airlift aircraft program.

Findings include:

1. The PART analysis showed that this is a coherent program with a clear and basic long-term goal, namely, to be able to move military forces and their equipment from the US to anywhere in the world whenever required.
2. Because the individual components of the overall program have clear goals, and because of DoD's extensive planning, programming and budgeting system, which matches program plans with budgets, the program also scored well in the strategic planning and management analysis.
3. The major airlift acquisition program, the C-17 program, is delivering aircraft on, or ahead of, schedule, albeit with some cost increase.
4. DoD must aggressively examine possible trade-offs within the airlift program that could lower the cost of meeting the airlift requirement without sacrificing military readiness or combat capabilities. To address this issue DoD is attempting to move towards a "capabilities based" assessment of its programs, rather than the traditional assessment of individual acquisition programs. The PART analysis showed that DoD still has more to do in this area. For example, DoD should develop annual goals and other performance measures for the airlift program as a whole.

In response to these findings, the Administration:

1. Proposes that DoD continue to develop methods for assessing the efficiency and effectiveness (or otherwise) of the overall airlift program in light of the needs of the 2001 QDR defense strategy and the global war on terrorism.

(For more information on this program, please see the Department of Defense chapter in the Budget volume.)

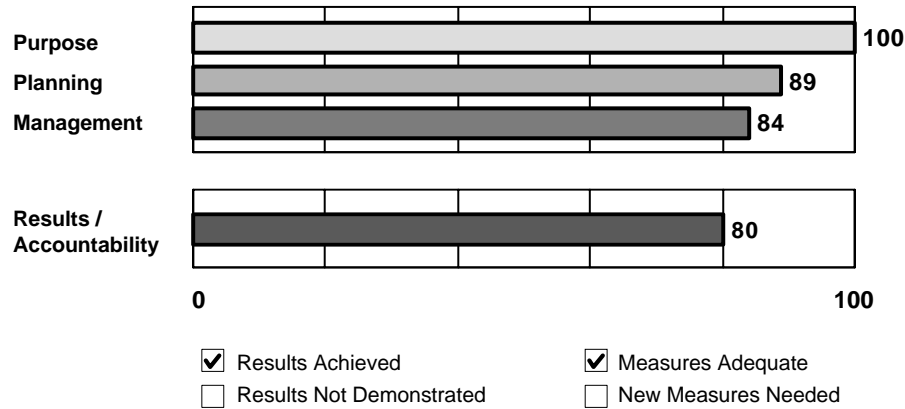
Program Funding Level (in millions of dollars)

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Program: Basic Research

Agency: Department of Defense--Military

Bureau: Research, Development, Test, and Evaluation



Key Performance Measures

Key Performance Measures	Year	Target	Actual
Certification in biennial reviews by technically competent independent reviewers that the supported work, as a portfolio, is of high quality, serves to advance the national security and is efficiently managed and carried out.	2003 and later	100%	
Long-term Measure: Portion of funded research that is chosen on the basis of merit review Reduce non-merit-reviewed and -determined projects by one half in two years (from 6.0% to 3.0%)	2005	-50%	

***Rating:** Effective

Program Type Research and Development

Program Summary:

The Basic Research program includes scientific study and experimentation to increase fundamental knowledge in the physical, engineering, environmental and life sciences and consists of a wide portfolio of projects. The program is carried out primarily through grants to universities and non-profits. The results of this research are expected to improve the country's defense capabilities, although the actual results of any specific project are unpredictable. Notable successes in the past have led to advances in satellite communications and imagery, precision navigation, stealth, night vision and technologies allowing greatly expanded battlefield awareness. Due to the long-term nature of research results, the R&D PART emphasizes assessment of the process of choosing funded projects and independent assessments of how well the research portfolio is managed.

The assessment indicates that the basic research program has clear purposes of providing options for new weapons systems, helping prevent technological surprise by adversaries, and developing new scientists who will contribute to the DoD mission in the future. DoD can document--through its contracts and grants management regulations, public announcements of award competitions and results from independent review panels--the methodical management of its program. Additional findings include:

1. The grants/contract solicitation, review and award processes are competitive.
2. The program is reviewed regularly by technically capable outside reviewers, which recommend improvements they would like to be implemented. They indicate that the work is of overall high quality.
3. The program has competent planning and management.
4. Earmarking of projects in the program has increased in the past decade and contribute less than the typical research project to meeting the agency's mission.

In response to these findings, the Administration will:

1. Continue to emphasize the use of independent review panels in assessing the performance of the program.
2. Work with the research community and Congress to explain the need to limit claims on research grant funds to proposals that independently can meet the standards of a strict merit-review process.

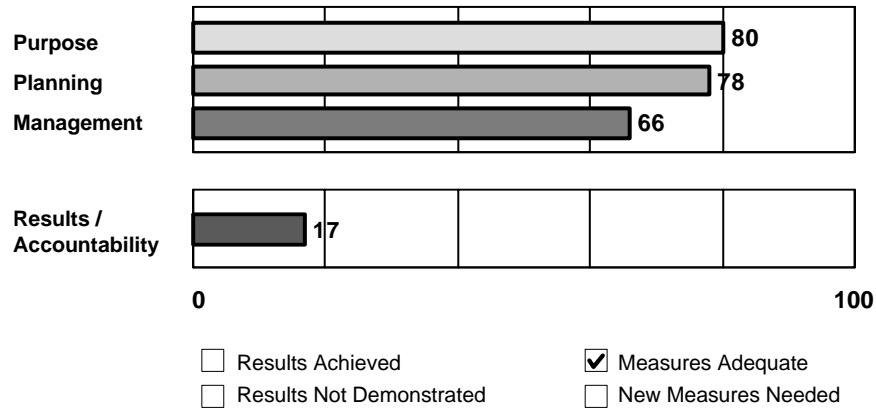
Program Funding Level (in millions of dollars)

* This assessments has not changed since publication in the FY 2004 Budget. For updated program funding levels, see Data File - Funding, Scores, and Ratings.

Program: Chemical Demilitarization

Agency: Department of Defense--Military

Bureau: Procurement



Key Performance Measures

Year Target Actual

Long-term Measure: Destruction and disposal of 100 percent of the chemical weapons stockpile	2012	100%	
Annual Measure: Disposal of 45% of the stockpile by 2004	2002	25%	25%
	2004	45%	

***Rating:** Ineffective

Program Type Capital Assets

Program Summary:

The Chemical Demilitarization Program destroys the U.S. stockpile of chemical weapons. The United States has an obligation to destroy such weapons under a treaty (the Chemical Weapons Convention) ratified by the US in 1997.

1. The assessment revealed that the purpose of the program is very clear.
2. The program has faced a number of challenges that are reflected in the score. It has had difficulty gaining support from some local communities surrounding disposal sites, which has caused delays. Further, environmental permitting has delayed the start of some destruction. The delays and cost increases will make it difficult for the program to meet required deadlines under the Chemical Weapons Convention. The program underwent a major restructuring in 2003 that added approximately \$9 billion to the cost of the program.
3. The delays and cost increases are reflected in a low accountability/results section score. The score is low because the program has only begun destruction activities at two out of nine sites, (Johnston Atoll and Tooele, Utah). Further, DoD has not yet determined the process it will use to dispose of the stockpile stored at Bluegrass, Kentucky, and therefore lacks a schedule or a budget for this site. In Anniston, Alabama, community safety concerns resulted in significant delays to the start of disposal. In addition, a delay in disposal occurred at Tooele, Utah when heavy metals were found in some weapons which required remediation. Thus, while DoD has destroyed a portion of the chemical weapons stockpile it still faces great challenges in destroying the entire stockpile in a timely and efficient way.

In response to these findings, the Administration will:

1. Manage the program according to milestones DoD recently developed for each site;
2. Focus on maintaining the schedule and efficiency goals; and
3. Approve a destruction process and proceed with planning efforts for the Blue Grass, KY site and work with the community groups at all sites to ensure that safety concerns are met.

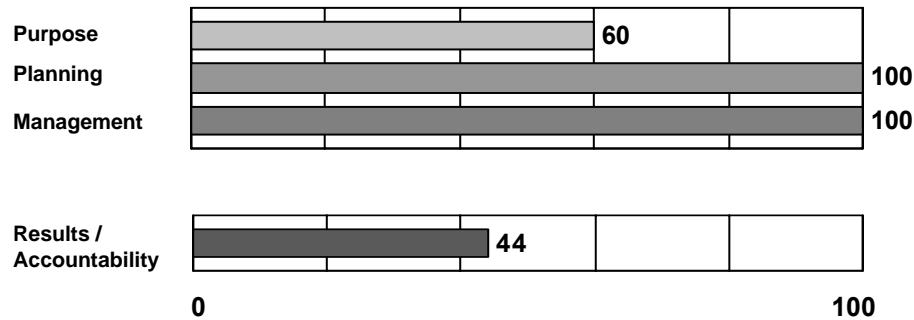
Program Funding Level (in millions of dollars)

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Program: Comanche Helicopter Program

Agency: Department of Defense--Military

Bureau: Army



Key Performance Measures

Year Target Actual

Long-term Measure: Vertical Rate of Climb (in feet per minute)	2009	500	
Long-term Measure: Date of Production Contract	2009	1Q 2009	
Long-term Measure: Total # of Aircraft Delivered	2019	646	

Rating: Results Not Demonstrated

Program Type: Capital Assets and Service Acquisition

Program Summary:

The Comanche program is designed to be the Army's future armed air reconnaissance helicopter. The aircraft is intended to fly deep into theater to perform intelligence missions and also to be capable of engaging in combat.

The assessment found that the program has experienced significant cost and schedule delays. Additional findings include:

- DoD has restructured the program six different times.
- Since 1985, the estimated unit cost of a Comanche grew from \$12.2 million to \$33.6 million in 2004.
- Research and development costs have nearly quadrupled.
- The Army was originally planning to field the helicopter in 1994; delivery of the first aircraft is now scheduled for FY 2009.
- In October 2002, OSD approved a new procurement program of 650 aircraft reduced from 1,213 aircraft and limited the mission to armed reconnaissance.
- The development of Unmanned Aerial Vehicles shows significant potential to serve a similar purpose as Comanche for the Army.
- Since its recent restructure, the program has not yet demonstrated significant progress in achieving its performance goals.
- Once fielded, Comanche will be an improvement over existing Army helicopters.

The Department of Defense plans a major review in 2006 of major acquisition programs, including the Comanche helicopter.

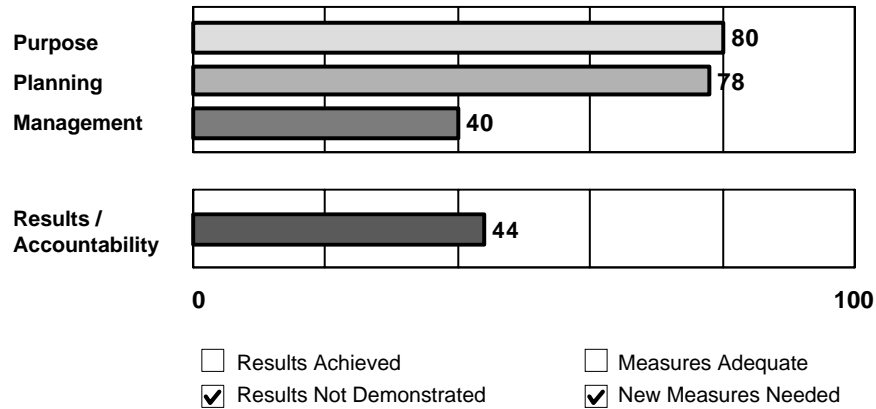
Program Funding Level (in millions of dollars)

<u>2003 Actual</u>	<u>2004 Estimate</u>	<u>2005 Estimate</u>
877	1,079	1,252

Program: Communications Infrastructure

Agency: Department of Defense--Military

Bureau: Department of Defense--Military



Key Performance Measures

Year Target Actual

Long-term Measure: DoD is preparing long-term performance metrics, to include system capacity, performance, and user satisfaction. (New measure, target under development)			
Annual Measure: Percent of time that the Non-Secure Internet Protocol Router Network (NIPRNET) access circuit is available. NIPRNET is the unclassified IT system.	2000	> 98.5%	99.63%
	2001	> 98.5%	99.50%
	2002	> 98.5%	
	2003	> 98.5%	
Annual Measure: Number of bases upgraded by the Army Installation Information Infrastructure Modernization Program (I3MP)	2001	5	5
	2002	8	8
	2003	5	

*Rating: Results Not Demonstrated

Program Type Capital Assets

Program Summary:

The communications infrastructure program includes all networks and systems for transmission of voice, data, and video information for the Department of Defense, with a total investment of about \$5.4 billion in 2003. This analysis includes base level communications activities of the military services, DoD's long distance communications, and the Defense Information System Network (DISN), managed by the Defense Information Systems Agency (DISA), which provides world wide communications capabilities to military personnel. The DISN includes the Global Infrastructure Grid (GIG) Bandwidth Expansion program, which will increase bandwidth connections to over 90 military bases, and the DoD Teleport program, which will improve satellite communications connections.

Overall, the PART reveals that DoD does not manage its communications infrastructure on an enterprise or department-wide basis. Best industry practice suggests a communications infrastructure should be managed with an enterprise approach rather than in a piecemeal fashion by component. The PART assessment also suggests that DoD should develop common performance measures to be used across the entire department for this program. Additional findings include:

1. The program's purpose is clear, owing to the unique military requirements of these systems.
2. The program performs well on planning because it has established clear short-term goals and has taken meaningful steps to address strategic planning deficiencies. It has not, however, established long-term performance measures.
3. While the program does collect performance information and is working to address management deficiencies, it lacks clearly defined long-term performance objectives and does not measure program efficiency or effectiveness.
4. The program results section also shows some weaknesses. Here again the PART highlighted the lack of long-term outcome goals.

In response to these findings, DoD will develop common metrics to assess program performance across the department.

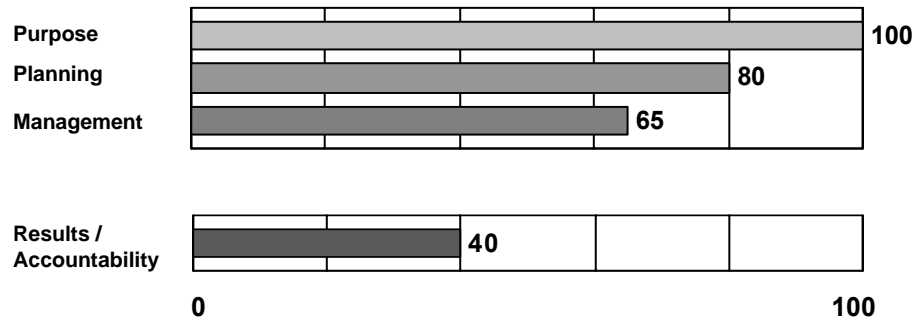
Program Funding Level (in millions of dollars)

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Program: *Defense Health*

Agency: *Department of Defense--Military*

Bureau: *Defense Health*



Key Performance Measures

Year Target Actual

Annual Measure: Patient Satisfaction Surveys	2003	55%	
	2004	57%	
	2004	65%	
Annual Efficiency Measure: Measures are being developed on inpatient and outpatient costs in the direct care system.			
Annual Efficiency Measure: Measures are being developed on the medical readiness status of active duty members			

Rating: *Adequate*

Program Type: *Direct Federal*

Program Summary:

The Defense Health Program (DHP) trains military medical personnel and provides health care in peace and war time to active duty members, retirees and their families around the globe.

The assessment found that the program has a unique and clear mission of providing medical readiness training for war time. In addition,

- DoD patients are generally satisfied with the availability and quality of health care.
- In 2003, DoD made good progress in implementing its new five-year health strategic plan.
- The program scored relatively low on the Program Results area primarily because it has not yet fully developed performance measures aligned to its new strategic plan, as apparent in table at left. While these results are still unknown, DoD is widely recognized for ensuring quality medical care in combat zones and at home – hence, the rating of “Adequate.”
- The program needs to develop efficiency measures and link performance results to its budget.
- DoD continues to improve its collaboration with the Department of Veterans Affairs (VA). DoD and VA have developed a joint sharing strategic plan.

In response to these findings, DoD will:

1. Take steps to finalize performance measures with annual targets that are aligned to its new strategic plan.
2. Develop efficiency measures and identify how it can link performance results to its budget.
3. Improve coordination with VA through sharing of enrollment and patient record data as well as through implementation of several joint medical sites.
4. Further the implementation of the DoD/VA joint sharing strategic plan.

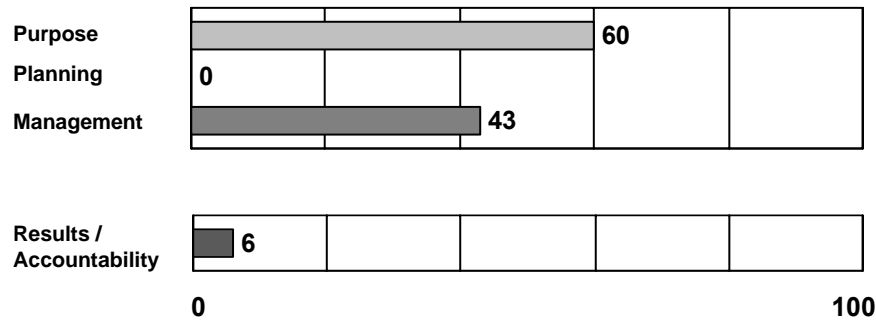
Program Funding Level (in millions of dollars)

<u>2003 Actual</u>	<u>2004 Estimate</u>	<u>2005 Estimate</u>
15,398	16,392	17,640

Program: *DoD Small Business Innovation Research / Technology Transfer*

Agency: *Department of Defense--Military*

Bureau: *Research & Development*



Key Performance Measures

Year Target Actual

Long-term Measure: Revise the Commercialization Achievement Index (CAI) to eliminate counting of investments as commercialization no later than three years after receiving the first Phase II support. After that, count competitive sales receipts only.	2004	All	
Long-term Measure: Stop funding companies with more than 5 current or past Phase II awards in the last 5 years if the company is in the bottom quartile in the CAI.	2005	All	
Long-term Efficiency Measure: Emphasize commercialization so overall competitively awarded sales to the government (direct or indirect) from resulting products is at least equal to new R&D investment (Phases I-III), as a portfolio of prior 3-8 year investments (rolling average).	2004	0.15	
	2005	0.2	
	2006	0.3	
	2007	0.5	

Rating: *Results Not Demonstrated*

Program Type: *Research and Development*

Program Summary:

The Department of Defense's (DoD's) Small Business Innovation Research and Small Business Technology Transfer programs supply funds to small businesses (in the latter case, in conjunction with non-profit research institutions) to develop products that help DoD defend the country.

The assessment found that the program:

- Provides funds to small businesses but has poor controls on unproductive spending
- Continues to provide funding to companies with track records of poor performance;
- Overestimates commercial successes resulting from Federal support by treating additional investment in the same way as product sales.

In response to these findings, the Administration will:

1. Tighten eligibility requirements for accepting proposals from companies and individuals that repeatedly fail to sell resulting products in the marketplace.
2. Change the way companies' past performance is assessed to ensure that it more closely matches the intent of the law.
3. Look for ways to budget explicitly for the program's administrative costs.
4. Seek to get highly successful awardees to enter the mainstream of Defense contracting.

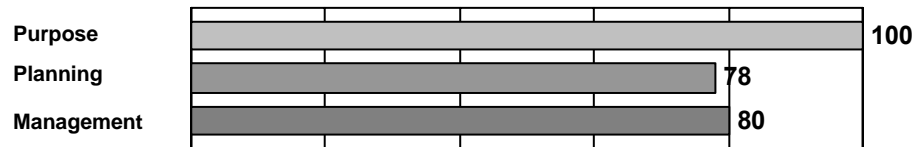
Program Funding Level (in millions of dollars)

<u>2003 Actual</u>	<u>2004 Estimate</u>	<u>2005 Estimate</u>
963	1,100	1,133

Program: Energy Conservation Improvement

Agency: Department of Defense--Military

Bureau:



Key Performance Measures

Year Target Actual

Long-term Measure: Reduce energy consumption in Department of Defense Buildings. The target is a 35% reduction by 2010 from a 1985 baseline.	2002		25%
	2010	35%	
Long-term Measure: Reduce energy consumption in Department of Defense Industrial Facilities. The target is a 25% reduction from a 1990 baseline.	2002		20.74%
	2010	25%	
Annual Measure: Reduce energy consumption in Department of Defense Buildings: goal is a 1.5% annual reduction relative to previous year.	2002	1.5%	2.5%

Rating: Effective

Program Type: Capital Assets & Service Acquisition

Program Summary:

The Department of Defense (DoD) consumes more than three-fourths of the Federal government's energy use. DoD spent \$7 billion in 2002 on energy use, including fuels. The Energy Conservation Improvement Program (ECIP) is designed to improve energy and water efficiency in existing DoD facilities to reduce energy costs.

The assessment found:

- The ECIP program scored well in the purpose and planning sections because the purpose is clear and DoD has established realistic, attainable goals. DoD manages this program well. It closely tracks program spending and results, and manages future budget allocations to the Military Services accordingly. DoD has corrected past obligation rate problems.
- The program achieves results. From 1985 through 2002, energy consumption has been reduced in DoD's buildings by one-fourth and in industrial facilities by more than one-fifth. More importantly, this reduction was achieved at a net savings. Over the life of the program, ECIP projects have produced average savings of about four dollars for every dollar invested.
- Overall, the program scored well because it is a small, well-targeted program which assists the Military Services and Defense Agencies.

In response to these findings, the Administration:

1. Will ensure that the program produces high returns on investment, and
2. Will develop new metrics to provide additional information about the program's results, and will develop even more aggressive targets.

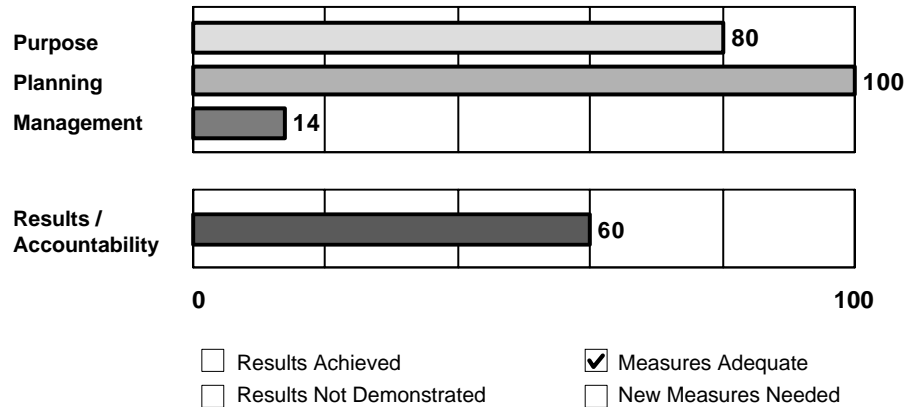
Program Funding Level (in millions of dollars)

<u>2003 Actual</u>	<u>2004 Estimate</u>	<u>2005 Estimate</u>
35	50	60

Program: *Facilities Sustainment, Restoration, Modernization, and Demolition*

Agency: *Department of Defense--Military*

Bureau: *Operation and Maintenance*



Key Performance Measures

Year Target Actual

Long-term Measure: Percentage of existing facilities rated C-2 or better These facilities have no significant or major deficiencies that affect DoD's ability to perform its missions.	2001	100%	31%
	2002	100%	32%
	2003	100%	
	2004	100%	
Long-term Measure: Rate, expressed in years, in which planned facilities are restored, modernized, or replaced, given planned investment spending (lower, but not below target, is better) (New measure)			
	2003	67 yrs	138 yrs
	2004	67 yrs	128 yrs
Annual Measure: Percentage of day-to-day maintenance funded (target level keeps facilities in good working order) (New measure)			
	2003	100%	93%
	2004	100%	94%

***Rating:** *Adequate*

Program Type *Direct Federal*

Program Summary:

The Facilities Sustainment, Restoration, Modernization (SRM) program provides funds to keep the Department of Defense's (DoD's) inventory of facilities in good working order. In addition, the program provides resources to repair aging or damaged facilities and alter facilities to meet new needs. The Demolition program provides funds to get rid of structures no longer needed.

The assessment found that while DoD has not adequately maintained its facilities (68% have significant or major deficiencies that affect DoD's ability to perform its missions), it is making a significant effort to address this problem. Additional findings include:

1. DoD recently developed a long-term strategic plan and is improving business practices, such as using performance-assessment metrics and using life cycle cost analyses that emphasize capital rather than short-term budgeting.
2. The high planning section score is due to the new strategic plan as well as recent development of new performance management tools and improved guidance issued to the military services.
3. The management section score is low because the program is not optimally managed to ensure that program execution matches the plan. The military services can deviate from guidance since program execution is decentralized. Deviation from the plan can put achieving program goals, such as funding day-to-day maintenance requirements fully and restoring or modernizing facilities every 67 years on average (based on private sector standards), at risk. Higher priority defense requirements have caused managers to use funds intended for maintenance of facilities for other programs. Over time this movement of funds has contributed to an accumulation of inadequate facilities.
4. A key performance measure, readiness of existing facilities to meet mission requirements, uses subjective assessments and can yield inconsistent results.

To address these findings, the agency will:

1. Improve program management. Performance should improve once managers begin managing more strictly to the new performance management tools. Accountability systems have been put in place to help.
2. Pursue a facilities readiness or condition reporting system that yields more objective, consistent results.
3. Continue to work to eliminate excess facilities.

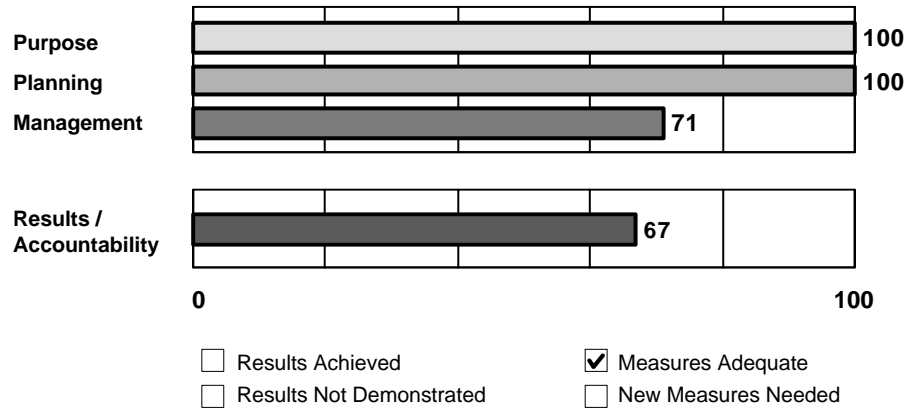
Program Funding Level (in millions of dollars)

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Program: Housing

Agency: Department of Defense--Military

Bureau: Military Personnel



Key Performance Measures

Year Target Actual

Long-term Measure: Reduce the number of inadequate houses to zero by 2007	2002	153,249	163,195
	2003	125,366	
	2004	98,953	
Annual Measure: Number of housing units privatized	2002	13,905	10,284
	2003	34,649	
	2004	41,258	
Annual Measure: Percent of service members out-of-pocket housing expenses as a fraction of the national median housing costs	2002	11.3%	11.3%
	2003	7.5%	
	2004	3.5%	
	2005	0%	

***Rating: Moderately Effective**

Program Type Direct Federal

Program Summary:

DoD's housing program provides housing to military service members and their families. DoD does this in two ways -- by providing housing allowances (BAH) to service members (who find housing in the private sector or in privatized housing on-base) or by providing members DoD-owned housing.

1. The PART reveals that DoD received high scores for the purpose and planning sections because the housing program meets the specific needs of the military and has long-term and short-term goals.
2. The PART shows that, even though DoD has an ambitious goal of eliminating the number of inadequate houses by 2007 (a Presidential Management Initiative), DoD is lagging behind in meeting its targets as shown in the performance measures table on the left. At the end of 2002, DoD owned 163,195 inadequate housing units, higher than what was projected.
3. However, DoD met its goal for reducing service member out-of-pocket housing expenses to 11.3% by increasing housing allowances in 2002.
4. DoD is making attempts to reduce the federal role by increasing both allowances and privatization of government-owned housing.

Based on these findings, the Administration will:

1. Work toward meeting yearly targets so that DoD can eliminate all inadequate housing by 2007.
2. Eliminate all out-of-pocket housing expenses by providing an appropriate housing allowance.
3. Privatize government-owned housing, where feasible, so that military service members and their families can live in quality housing.

(For more information on this program, please see the Department of Defense chapter in the Budget volume.)

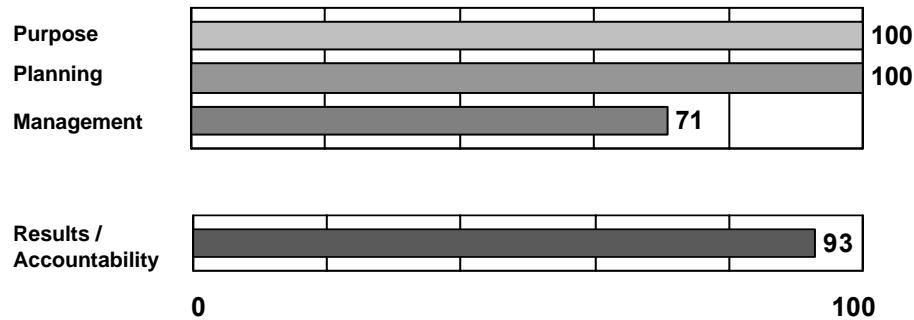
Program Funding Level (in millions of dollars)

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Program: Military Force Management

Agency: Department of Defense--Military

Bureau:



Key Performance Measures

	Year	Target	Actual
Annual Measure: Active Duty End-Strength - percentage of manning goal achieved	2001	99.5% to 102%	102.3%
	2002	99.5% to 102%	101.8%
	2003	99.5% to 102%	103.2%
	2004	99.5% to 102%	TBD
Annual Measure: Active Duty Recruiting - yearly percentage of required accessions achieved	2001	100.0%	100.5%
	2002	100.0%	100.5%
	2003	100.0%	101.0%
	2004	100.0%	TBD
Long-term Efficiency Measure: Efficient manpower mix - percent of military manpower realigned as planned to achieve a more efficient force. Will be applied to both individual and unit formations			

Rating: Effective

Program Type: Direct Federal

Program Summary:

DoD's Military Personnel Management area covers the entire range of personnel functions of the Department – from recruiting to retention, pay and subsistence, and retired pay accrual. The focus of the PART was manning the force – having the right quantity and quality of personnel in the right places at the right times to meet DoD's requirements.

The assessment found that DoD is very effective at manning its force. It has significant flexibility to recruit, train, and retain the best personnel. Recruiting has been strong, even during the Global War on Terror. Retention is the best it has ever been in some services. Compensation is above the median for comparably educated civilians, and exceeds the 70th percentile in many cases. The DoD bonus programs have allowed retention in critical skills, ensuring those important needs are met.

In spite of this effectiveness, DoD still needs to increase its management efficiency. Over the past year, for example, several GAO reports have criticized the Department for the handling of its Selective Reenlistment Bonus (SRB) program and its reserve pay system, and last year's recruiting PART found similar weaknesses in the efficiency measures for that function. In response to these findings, DoD will:

- Evaluate the entire military personnel compensation package, rather than making piecemeal recommendations.
- Improve its pay and personnel systems, and include reserve systems.
- Develop additional evaluation measures to rate the efficiency of its bonus and other programs, rather than just their effectiveness.

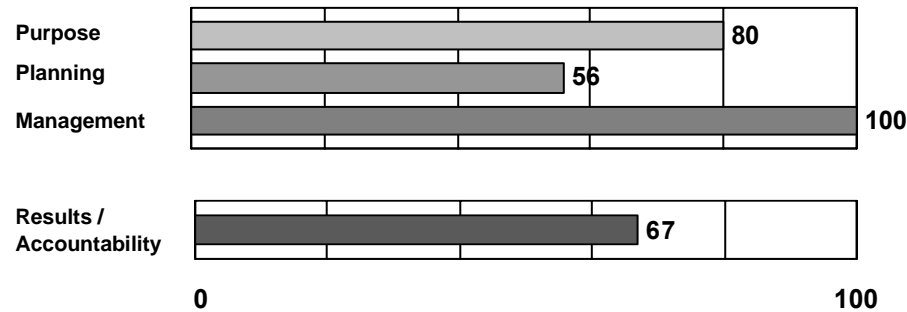
Program Funding Level (in millions of dollars)

<u>2003 Actual</u>	<u>2004 Estimate</u>	<u>2005 Estimate</u>
93,500	98,956	103,100

Program: Missile Defense

Agency: Department of Defense--Military

Bureau:



Key Performance Measures

Year Target Actual

Long-term Measure: Demonstrate technical performance goals: FY2003 - (1) BMDS Terminal Capability vs SRBMs (2) GBI EKV Guidance & Control; FY2004 - (1) BMDS Midcourse Capability vs LRBMs (2) IDO Capability; FY2005 - (1) BMDS Midcourse Capability Vs IRBMs/MRBMs, (2) Expanded BMDS Terminal Capability Vs SRBMs; FY2006 - (1) SBX & (2) Space-based Sensor Performance	2003	1 & 2	1&2 achieved
	2004	1 & 2	
	2005	1 & 2	
	2006	1 & 2	
Annual Measure: Measure performance through key milestones. FY2003 - Verify PAC-3 ESG & GEM/GEM+ ESG; FY2004 - Complete IDO, including 1st GBI installation, surveillance & tracking upgrade of up to 3 Aegis BMD ships, Cobra Dane & EWR Upgrades, Verify 6 GBI ESGs; FY2005 - Verify 5 SM-3 ESGs & 4 THAAD ESGs, add up to 9 SM-3s, complete 3 C2BMC suites, etc. FY2006 - (provided separately)	2003	Verify 6 ESGs	6 ESGs Verified
	2004	3 Tests, 6 ESGs	
	2005	4 Tests, 9 ESGs	
	2006	2 Tests	
Annual Measure: Annual costs estimated for Block 04, 06, and 08 parallel development. Evaluation based on managing within projected costs.(Note: Draft FY05 PB data used for FY05 and FY06 targets.)	2003	\$5.08B	\$5.08B
	2004	\$5.79B	
	2005	\$6.94B	
	2006	\$5.72B	

Rating: Results Not Demonstrated

Program Type: Capital Assets and Service Acquisition

Program Summary:

The DoD missile defense program consists of multiple systems and capabilities developed by the Missile Defense Agency (MDA) or military services, as well as the policy and budgetary support provided by the Office of the Secretary of Defense. This program fields active defenses against short, medium, and long-range missiles in a multi-layered, global system. Demonstrated capabilities will be fielded incrementally in "blocks" to provide near-term defense, with subsequent increases to system robustness to keep pace with growing threats. The score is a composite for MDA, U.S. Army, and DoD oversight performance.

The assessment of DoD's missile defense program found:

- DoD continues to design, engineer, and develop extensive missile defense capabilities, but has not programmed adequate funds to procure and operate the newly developed capabilities.
- MDA has matured its goal-setting procedures, completing the Statement of Goals for Blocks 04, 06, and 08. The newly-developed concept of Engagement Sequence Groups (ESGs – used in the Key Performance Measures) has become the organizing principle for measuring progress of the developmental program.
- Technical progress continues, but there have been challenges. The PAC-III operated effectively against hostile Iraqi ballistic missiles, but also experienced command and control problems. Aggressive GMD and Aegis SM-3 efforts are on track. Two long-range missile defense tests (one land-; one sea-based) failed, but two new booster shots were a success. The Airborne Laser is falling behind schedule due to technical problems, which are more difficult than expected. System-wide engineering efforts are maturing well, and construction of Fort Greely is approximately 80% complete and on schedule. The program is within 30 days of schedule for Initial Defense Operations in late 2004.
- DoD has not adequately refined the MDA-to-service transfer of missile defense programs. There continues to be friction in the implementation of this process.

In response to these findings, DoD will:

1. Fund missile defense sustaining operations & support, and production/deployment of future "blocks" through the Future Years Defense Plan.
2. Continue to review and improve policies and procedures for transitioning missile defense capabilities from development to production, and to the Combatant Commanders for operational use.

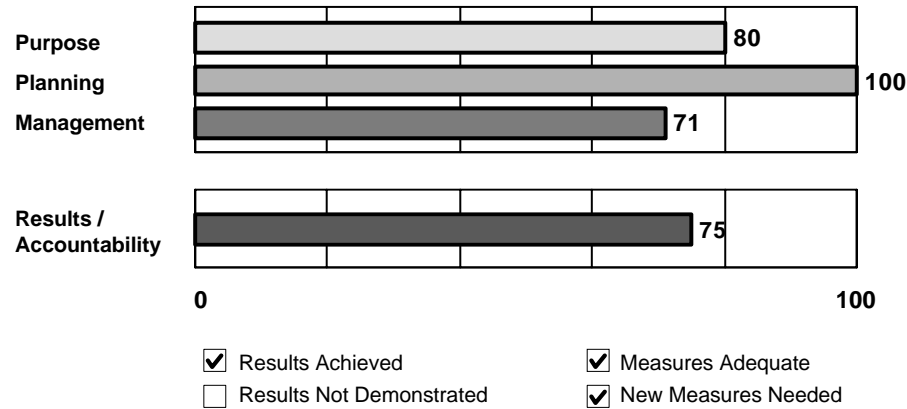
Program Funding Level (in millions of dollars)

2003 Actual	2004 Estimate	2005 Estimate
7,490	9,095	10,298

Program: Recruiting

Agency: Department of Defense--Military

Bureau: Operation and Maintenance



Key Performance Measures

Year Target Actual

Long-term Measure: Number of personnel required to meet military needs In addition to exceeding the required number of recruits, quality goals have been met over the past three years.	1999	200,000	193,000
	2000	205,000	206,000
	2001	211,000	212,000
	2002	210,000	212,000
Budget/Short-term Measure: Average cost of recruiting a new member into the Armed Forces (The numbers in this table represent the total cost of the program divided by the number of recruits. This measure is not currently used as a performance goal - it is only a measure of the expected cost of the program. The Administration recommends this performance measure.)	2002		\$13,252
	2003	\$13,662	
	2004	\$14,162	
Program efficiency metrics currently under development			

***Rating:** Moderately Effective

Program Type Direct Federal

Program Summary:

The recruiting program of the Department of Defense (DoD) is designed to attract large numbers of high quality young men and women to serve in the armed forces. The program is multifaceted, using military members, advertising, and bonuses to attract young men and women to military service. The goal of DoD recruiting is to ensure that sufficient numbers of qualified young Americans enlist in the armed services.

The assessment found that the program was highly effective, but since there were no measures of program efficiency, the overall rating is only moderately effective. DoD has met its goals for both quality and quantity of recruits for the past two years. During this period, costs did increase, with the Services adding production recruiters, expanding and refining their enlistment incentive programs, reenergizing advertising with performance incentives written into their contracts, embracing high technology with laptop computers and cell phones, exploiting the Internet with cyber-recruiting initiatives, and adopting proven business practices in recruiter selection and training. The Services continue to refine their recruiting programs, with the Army and Navy actually able to reduce the number of recruiters as the investments in the recruiting process come to fruition. When viewed in constant dollars, the cost-per-recruit has stabilized at the 2002 level in the 2004 Budget Request. However, the program does not have management information systems in place to allow for better decision making. There is currently no way to gauge the effectiveness of specific new tools and determine whether the recruiters are more effective.

In response to these findings, the Administration will:

1. Recommend the Department of Defense create better information systems to allow more management information flow to the program managers. This new system should support separating out and measuring fixed and variable costs, measures of management efficiency, and performance information for the results of particular inputs. Such a system would increase the information available to the program managers about the effectiveness of each of the elements of the program, allowing them to take a broader look at the available resources and apply them more efficiently.
2. Create a quarterly execution report to track program performance and program efficiency.

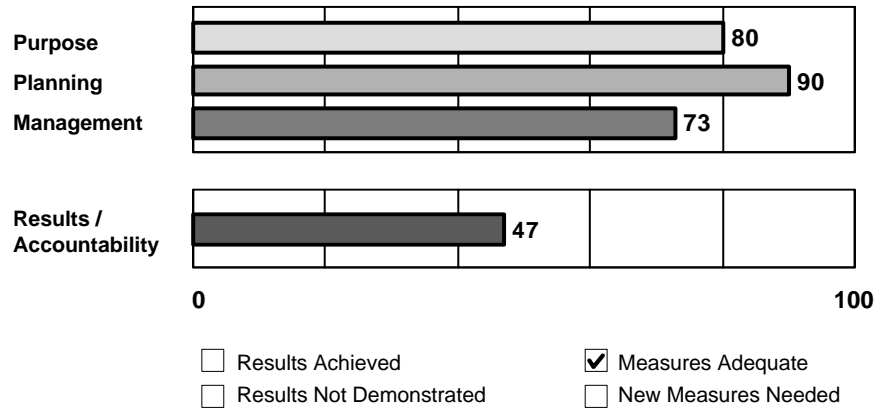
Program Funding Level (in millions of dollars)

* This assessments has not changed since publication in the FY 2004 Budget. For updated program funding levels, see Data File - Funding, Scores, and Ratings.

Program: Shipbuilding

Agency: Department of Defense--Military

Bureau: Procurement



Key Performance Measures

	Year	Target	Actual
Annual Measure: Percent change in acquisition costs for individual programs from established cost of the program. Results from Virginia Class attack submarine program shown as example; data from DoD's annual Selected Acquisition Reports. The Dec 2001 report represents a two-year period (1999-2001) due to the absence of a Dec 2000 report.	1999	<10%	12%
	2001	<10%	12%
	2002	<10%	
	2003	<10%	
Annual Measure: Percentage of ship construction complete Each ship under construction has a delivery date and construction schedule. At the end of each year, the Program Manager has a goal to have a percentage of the ship construction completed. The information provided is for the first Virginia Class submarine (SSN 774).	1999	22%	24%
	2001	57%	64%
	2002	>85%	
	2003		
Long-term Measure: Number of ships in the Fleet The Navy has a baseline level of ships that it should maintain. For example, the 2001 Quadrennial Defense Review set 55 attack submarines as the baseline force that the Navy should maintain. The information shown shows planned levels for attack submarines.	2000	55	56
	2005	55	54
	2009	55	60
	2012	55	60

***Rating:** Adequate

Program Type Capital Assets

Program Summary:

The shipbuilding program buys new ships and overhauls older ships for the Navy.

The assessment shows that the Navy's shipbuilding program has a clear purpose, which directly relates to the Navy's mission to defend the nation. The shipbuilding program is designed around long-term goals to maintain a specific fleet size and capability. For example, the Navy uses a baseline of 12 aircraft carriers as the minimum number needed to carry out required missions. Because of this goal, aircraft carriers are purchased at levels required to maintain this quantity. Additional findings include:

1. The Navy has specific cost, schedule, and performance goals for each shipbuilding program.
2. The Department of Defense conducts periodic reviews of programs at major milestones of development and uses a structured reporting regime to help monitor the status of ship development and cost, and construction schedule.
3. The shipbuilding program is limited by industrial base, political, and budgetary pressures that have prevented the Navy from building ships at an optimal, efficient rate to provide for the long term.
4. The Navy has experienced cost increases and schedule slips on some ship construction programs.
5. The unique attributes of each ship and the small procurement quantities within the shipbuilding program challenge the Navy from realizing efficiencies that could be achieved program-wide. Optimistic budget assumptions have exacerbated this problem.

In response to these findings the Administration will:

1. Improve the cost estimates for the shipbuilding program or, in some cases, fully budget to cost estimates.
2. Work to ensure that shipbuilding decisions are made with long term fleet size and capability goals in mind.
3. Institute program-wide goals rather than the ship specific goals that are currently used.

Program Funding Level (in millions of dollars)

* This assessments has not changed since publication in the FY 2004 Budget. For updated program funding levels, see Data File - Funding, Scores, and Ratings.